

**STATEMENT OF**  
**FORMER SPEAKER OF THE HOUSE NEWT GINGRICH**  
**BEFORE THE**  
**HOUSE ENERGY AND COMMERCE COMMITTEE**  
**SUBCOMMITTEE ON HEALTH**  
**WEDNESDAY, MARCH 15, 2006**

Chairman Deal, Ranking Member Brown, and members of the subcommittee:

I appreciate the opportunity to testify today about how giving health consumers access to price and quality information for medical services will help us build a 21<sup>st</sup> Century Intelligent Health System that saves lives and saves money for all Americans.

If healthcare in America is to transcend the challenges of the future, America must build this 21<sup>st</sup> Century Intelligent Health System. Building such a system will require fundamental changes of the health system we know today, but they are changes that are absolutely necessary.

To get there, ensuring that every American has the right-to-know price and quality information about health and healthcare products and services is absolutely critical.

Let me describe a 21<sup>st</sup> Century Intelligent Health System. In a 21<sup>st</sup> Century Intelligent Health System, every American will be covered by insurance, have access to the care that they need when they need it, own their health records, and will be empowered to make responsible decisions about their own health and healthcare because they will have the right-to-know the price and quality of health products and services before making purchasing decisions.

In a 21<sup>st</sup> Century Intelligent Health System, the focus will be on prevention and wellness. Innovation will be rapid, and the dissemination of health knowledge will be in real time and available to all Americans. Reimbursement for health care will be a function of quality outcomes, not a function of volume.

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We are right at the edge of moving forward toward a 21<sup>st</sup> Century Intelligent Health System centered on the individual. This system I am describing is a wholesale departure from the bureaucratic, third party payer model that has dominated our healthcare financing for the last forty years. The new model promises better health outcomes at lower cost.

In order to be successful in this transition, healthcare consumers must have complete and total access to information about their healthcare providers and the products and services they provide. Yet lack of price and quality information about various healthcare services may cripple this much-needed transformation before it can ever get off the ground.

Americans are accustomed to leading their lives empowered with the responsibility and knowledge to determine what is best for them. Outside of healthcare, we live in the world of Expedia, Travelocity, Craigslist and Consumer Reports. Within minutes, any citizen can find price, cost, and performance data on an infinite number of products and services. This transparent system puts the consumer squarely at the center of the market—and as a result, consumers have more choices of greater quality at lower cost.

Healthcare is the only area of America's economy where the consumer and the provider have no idea what the goods and services they trade cost. Think about that for a minute. Patients and doctors truly do not know the cost of even a standard office visit, not to mention myriad of complicated procedures delivered in an emergency room.

Sometimes there is a very determined effort to keep the prices of medical products and services hidden and/or deliberately vague.

Not surprisingly, this has the intended effect of keeping prices artificially high for consumers because there are no natural market forces to create downward cost pressures.<sup>1</sup> If healthcare were a real market we would see more choices of higher quality coupled with falling prices.

There is no other sector of our economy with as little information about price and quality as in the \$2 trillion healthcare industry. American consumers can find all types

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<sup>1</sup> Take for example the elaborate efforts undertaken to maintain secrecy about the costs of certain implantable medical devices. Implantable medical devices (the devices used in cardiac, orthopedic and spinal surgeries) are one of the single biggest drivers of increased hospital supply costs today. What's driving and maintaining these high costs? One factor is that it appears that device vendors often seek to hide the true costs of their devices behind confidentiality provisions that they insert into their contracts with hospitals. In a case that I've recently been made aware of, one device vendor claims that its pricing is somehow a "trade secret", and that hospitals that buy its devices may not disclose their prices to the doctors who use them, the private payers who reimburse the hospitals for them, or the patients who receive them. The inevitable result is that no price shopping can take place and price competition, a fundamental market force, can't take root.

of cost and quality information about cars, computers, homes and vacation destinations. It is even common these days for potential buyers and owners to have lengthy online discussions about the pros and cons of, and alternatives to, every make and model.

But this type of rich consumer information is sorely lacking when it comes to something as important as choosing a physician or a hospital. More important than the lack of available information about prices is the stunning absence of quality data in the hands of patients. Few Americans could tell you which of the five hospitals nearest to them has the best outcomes for cancer care, or obstetrics, or orthopedic surgery. Significantly, they would have trouble even getting this information if their health or their life depended on it. This is wrong and it must change.

Individuals are at the mercy of an antiquated system that has not kept pace with the technological advancement, transparency, and modernization that nearly every other industry has embraced. The information age has left healthcare behind, and the consequences are tragic: medical errors continue to kill thousands; costs continue to rise faster than inflation; the number of uninsured continues to climb; and consumers still remain at the edges of the system. We can change this. But in order to do so, informed and proactive consumers must be at the center of the healthcare system.

The American people clearly want this to change. In one survey, 93 percent of Americans believe they have the right-to-know price and quality information about their healthcare providers.

It's hard to find any issue that garners the support of more Americans. By comparison, "only" 91 percent of Americans support keeping the words "under God" in the Pledge of Allegiance.

January 1, 2004, will be looked back upon as the "big bang" in healthcare policy. It was on this date that health savings accounts (HSAs) became available to all Americans who buy private health insurance. This was the most significant improvement in healthcare financing in two generations because it began to unleash the value-driven American consumer on the inefficient healthcare market.

The most comprehensive, real world survey of HSAs was released last week by the trade group America's Health Insurance Plans. It showed that nearly 3.2 million Americans own HSAs as of January, 2006. The U.S. Treasury Department estimates that there will be 14 million Americans with HSAs by 2010, less than four years from now.

We should extend the opportunity to own HSAs to those on Medicaid and Medicare, and allow them to enjoy the advantages of having more control over their healthcare dollars and the opportunity to build wealth by staying healthy.

Owners of HSA-health insurance plans are starting to ask their doctors a long-overdue question: “How much does it cost?” That question, so commonplace everywhere else in the economy, has been almost unheard of, until now, in the doctor’s office. As the number of these plans grows, it will create greater and greater pressure for accurate information about prices and more and better information about quality of health services. In a world of Google, Ebay, Edmunds.com, Travelocity, and Craigslist, where detailed information is available on nearly everyone and everything, it is indefensible that healthcare lags behind.

U.S. News and World Report, for example, is looked to as the best rater of colleges and universities. Today, some private sector companies are also beginning to provide much more health information to rate healthcare services. Websites like Subimo and HealthGrades offer subscription services where paying customers can gain access to information about quality. Insurers like Aetna and Humana are in the early stages of providing their enrollees with details about hospital outcome data. Not all hospital administrators are enthralled with these rating systems, but up until now they have failed to develop a nationally agreed upon set of standards whereby hospitals would rank themselves. They may never agree, but because this information is so valuable to consumers, we must ensure that it is not kept from them.

Government at the federal, state, and even county level can play a critical role in addressing the dearth of price and quality information available to consumers of healthcare.

Secretary Leavitt and CMS Administrator Mark McClellan deserve considerable credit for pursuing more transparency with [hospitalcompare.hhs.gov](http://hospitalcompare.hhs.gov), which allows patients, family members, and physicians to get quality measures on how often hospitals provide the recommended care to get the best results for most patients. Available on the site is the standard recommended care that an adult should get if being treated for a heart attack, pneumonia, and other complications.

The Administration is also moving ahead with additional transparency measures. Over the course of the next several weeks the Medicare website will begin to display the prices it pays hospital and physicians. Additionally, the Office of Personnel Management is exploring the possibility of requiring plans participating in the Federal

Employee Health Benefit Program to make public the reimbursement rates they pay to providers.

The State of Florida now has two websites [FloridaCompareCare.com](http://FloridaCompareCare.com) and [MyFloridarx.com](http://MyFloridarx.com) that display hospital price and outcome data, and prescription drug prices respectively. These websites cost less than \$200,000 per year to operate. They are cheap and highly effective. Every state in America should follow Florida's lead and make this critical information available to all citizens.

An article from this past Sunday's *South Florida Sun-Sentinel* reports about the real life impact of the new web site [MyFloridaRx.gov](http://MyFloridaRx.gov). I recommend this story by health writer Bob LaMendola to anyone wanting to learn about the tremendous price discrepancies in price for the same medicine in the same neighborhood. At Morrison's RX pharmacy in the city of Plantation, for example, 30 Nexium pills sell for \$202. Two miles away at the Costco in Davie, the exact same pills cost \$131. Visitors to [MyFloridaRx](http://MyFloridaRx.gov) can get the "usual and customary" prices for the 50 most common prescribed drugs in the state.

In an additional example, a month's supply of albuterol for asthma inhalers can cost as little at \$6.16 at Sam's Club in South Florida. The average cost around the region is \$21. Green's pharmacy in Palm Beach sells the identical product for \$43 and it retails for \$88 in Broward County at ProScript in Davie. This is the kind of information that is critical to asthmatics, particularly if they are uninsured, own a HSA, or don't have a co-pay and therefore have to pay for prescription drugs out of their own pockets. Now, they have an objective online tool to help them compare prices and save money.

At the Center for Health Transformation<sup>2</sup> we have developed a model of drug purchasing called Pilot Rx modeled on Travelocity. We believe that this model could take between 20 – 40 percent out of the cost of prescription drugs by offering real-time online prices to patients. Each individual's plan would reimburse for 100 percent of the cost of the lowest cost generic drug in a therapeutic class. From that point on up, the patient would be responsible for paying the difference. This visibility of prices, we believe, would crash costs significantly.

[FloridaCompareCare.gov](http://FloridaCompareCare.gov) is the other Florida website that is proving itself of significant value to patients and potential patients. This very user-friendly site allows visitors to search for a wide range of price and outcome data for all hospitals and ambulatory

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<sup>2</sup> The Center for Health Transformation is a collaboration of transformational leaders dedicated to the creation of a 21<sup>st</sup> Century Intelligent Health System in which knowledge saves lives and saves money for all Americans. For more information on the Center and our Right to Know Project, please contact project director Jim Frogue at 202.375.2001.

surgery centers in the state. Visitors can retrieve the risk-adjusted number of hospitalizations, average length of stays, charges, and readmission, infection, complication, and mortality rates for every facility in the state. Certainly this is data you would want and deserve if you or a loved one needed an operation.

Florida officials are also shining the light on the underperformance of the traditional Medicaid fee-for-service system. It turns out that only half of the children in standard fee-for-service are getting well child check ups. Only 16 percent of children are getting preventive dental screenings. Only 4 percent of women are getting mammograms. The highest death rates from breast cancer are among African-American women.

50 percent of Florida Medicaid beneficiaries are either black or Hispanic. These populations are two to three times more likely to suffer from asthma, diabetes, heart disease, and infant mortality. These figures are troubling to be sure. But they need to be out in the open before we can begin discussing how to close these unacceptable gaps in health outcomes.

Florida's innovative new Medicaid waiver includes important innovations in information transparency. It will include participation from a range of health plans that will receive risk-adjusted premiums per enrollee. HMOs, Minority Physician Network, or a hospital-based Provider Service Network will have their performance monitored by the state. The state will be measuring plans in a range of areas including: percentage of kids getting well child check ups, percentage of kids getting dental screenings, and the percentage of kids getting the proper vaccinations. Consumer satisfaction will also be measured. Most importantly, these measurements will be made available for all to see.

It is the nature of a science and technology based entrepreneurial free market to provide more choices of higher quality at lower cost.

Americans deserve exactly this but are not getting it from our current health system. A major reason for this is the lack of reliable, useful information about price and quality of health and healthcare products and services. We can and must do better in order to create a 21<sup>st</sup> Century Intelligent Health System that will save lives and save money.

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